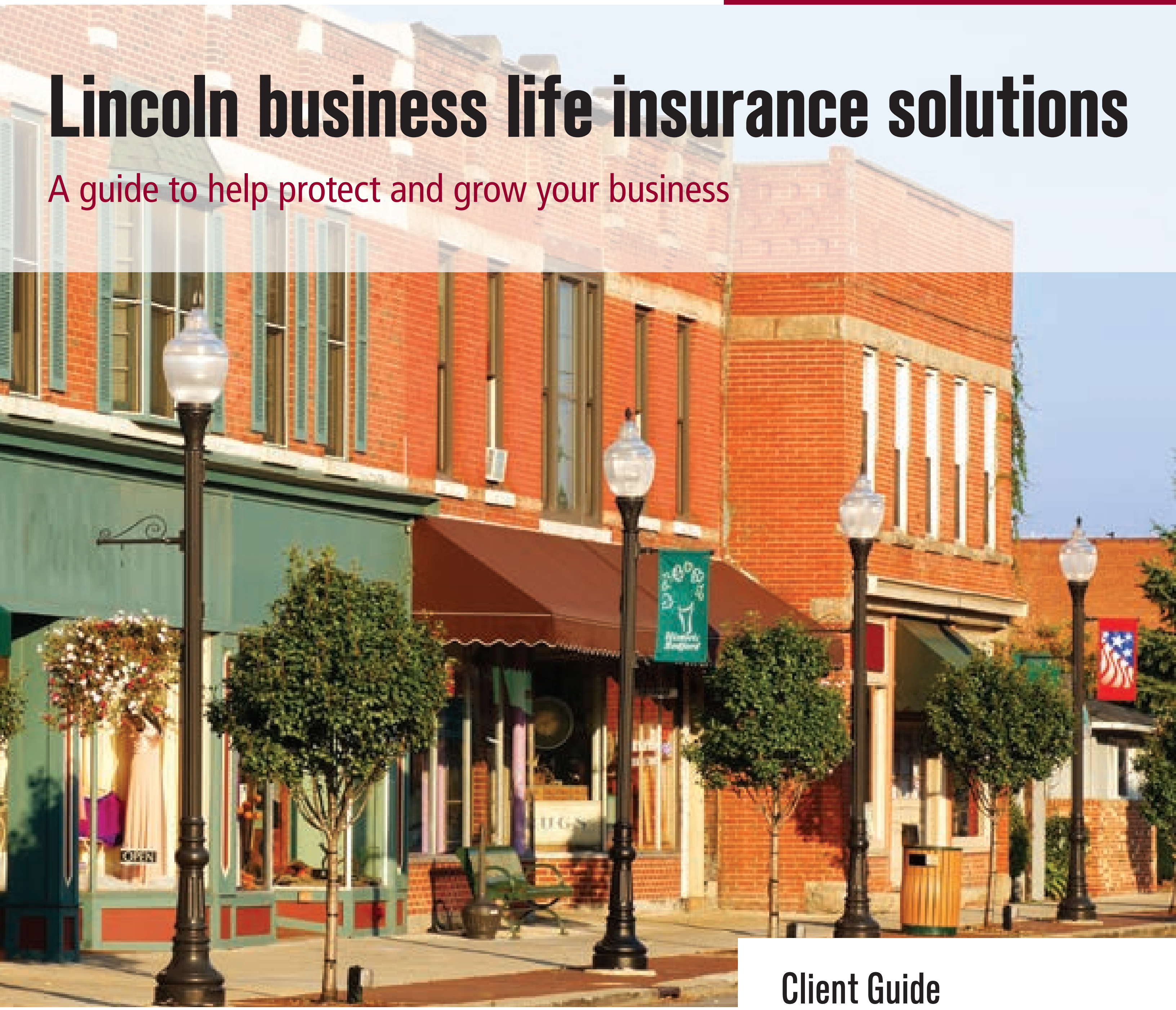
Lincoln Financial Group®

You're In Charge®

WealthProtection Expertise℠

Lincoln business life insurance solutions

A guide to help protect and grow your business



Client Guide

Not a deposit	Not FDIC-insured	May go down in value
Not insured by any federal government agency		
Not guaranteed by any bank or savings association		

Insurance products issued by:
The Lincoln National Life Insurance Company
Lincoln Life & Annuity Company of New York

1505191

The number of small businesses has increased 49% since 1982.

Source: U.S. Small Business Administration, "Small Business Trends," SBA, https://www.sba.gov (accessed May 16, 2016).

Small business fuels the American economy

It's the ingenuity of business owners like you that continues to create new jobs and drive the world's largest economy.

You know what it takes to be successful, and you worked hard to build your business. As opportunities and challenges arise, Lincoln is here to provide effective strategies to help your business prosper.

Lincoln has the experience to meet the unique needs of your business

So you can focus on growing your business, we deliver comprehensive solutions to help protect your business investment and maintain your competitive edge. We can guide you through strategies that address a variety of needs such as retaining key talent, protecting your business, and developing a solid transition plan.

Rely on Lincoln for your diverse spectrum of business needs

- A plan to attract and retain top talent
- Rewards for exceptional performance
- Supplemental retirement plans for owners and selected employees
- Cost-efficient employee incentives

- Protection from the financial impact of your death and/or the death of an essential employee

- Protection in the event of the death, disability, or retirement of a partner or co-shareholder
- A plan for the orderly transition of ownership and management of your business
- A strategy to obtain a fair price for your business when you want to sell it

The cost of losing an employee can range from tens of thousands of dollars to twice their annual salary.

Source: "Employee Retention Now a Big Issue: Why the Tide," www.linkedin.com, August 16, 2013.

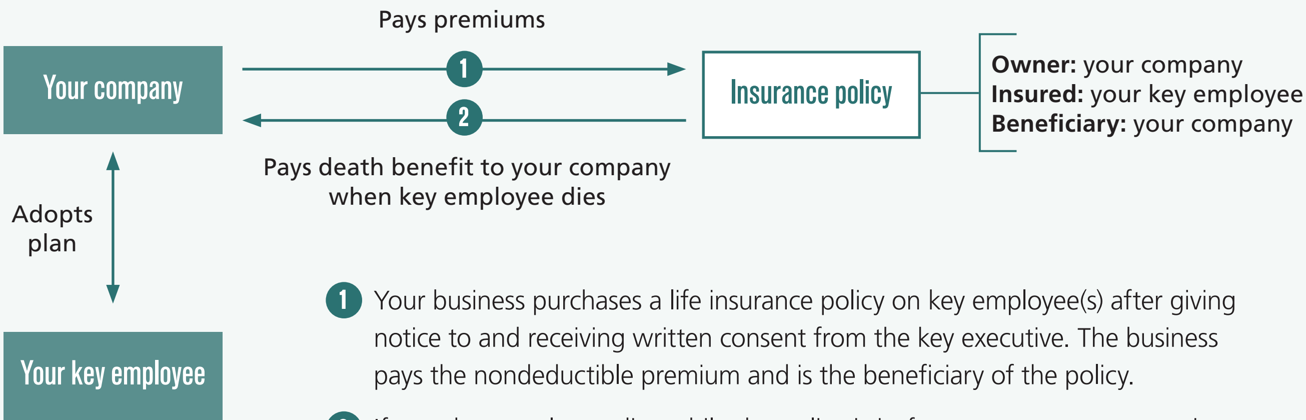
Protect your business from the loss of a valuable employee

The strategy: Key person coverage

You carry insurance coverage to protect your business from the loss of property and equipment, but what about your most valuable asset—your key employees? A key employee may be the owner, a partner, a top executive or an important member of your organization with unique talents, experience or skills that are crucial to the prosperity of your business.

Key person life insurance protects your business from the financial impact of the loss of an essential employee.

How key person insurance works



1. Your business purchases a life insurance policy on key employee(s) after giving notice to and receiving written consent from the key executive. The business pays the nondeductible premium and is the beneficiary of the policy.
2. If your key employee dies while the policy is in-force, your company receives the death benefit, generally income tax-free.*

Considerations for your business

- Key person insurance can provide a source of income to replace profits or capital lost because of a key employee's death.
- Death benefit proceeds can be used to fund the recruitment and training efforts to replace key employees.†
- Key person insurance gives you access to cash to help settle any loans due, or to use for other expenses or bills as the company transitions.†

Considerations for your employee

- Your employee's value as a key contributor to the business is confirmed.
- If your employee holds an ownership interest in the business, they should be aware that the death benefit proceeds may cause an increase in the value of their business interest. They should consult a professional tax advisor.
- Life insurance purchased and owned by a business on your employee may reduce their overall life insurance capacity.

*For federal income tax purposes, life insurance death benefits generally pay income tax-free to beneficiaries pursuant to IRC Sec. 101(a)(1). In certain situations, however, life insurance death benefits may be partially or wholly taxable. Situations include, but are not limited to: the transfer of a life insurance policy for valuable consideration unless the transfer qualifies for an exception under IRC Sec. 101(a)(2) (the transfer-for-value rule), arrangements that lack an insurable interest based on state law, and an employer-owned policy unless the policy qualifies for an exception under IRC Sec. 101(j).

†Annual increase in policy cash values and death benefit proceeds may have corporate alternative minimum tax implications.

52% of owners say they're hiring or trying to hire new talent, but

45% of these employers claimed that there are few or no qualified applicants for the positions they're trying to fill.

Source: "NFIB Small Business Economic Trends," www.nfib.com, January 2016.

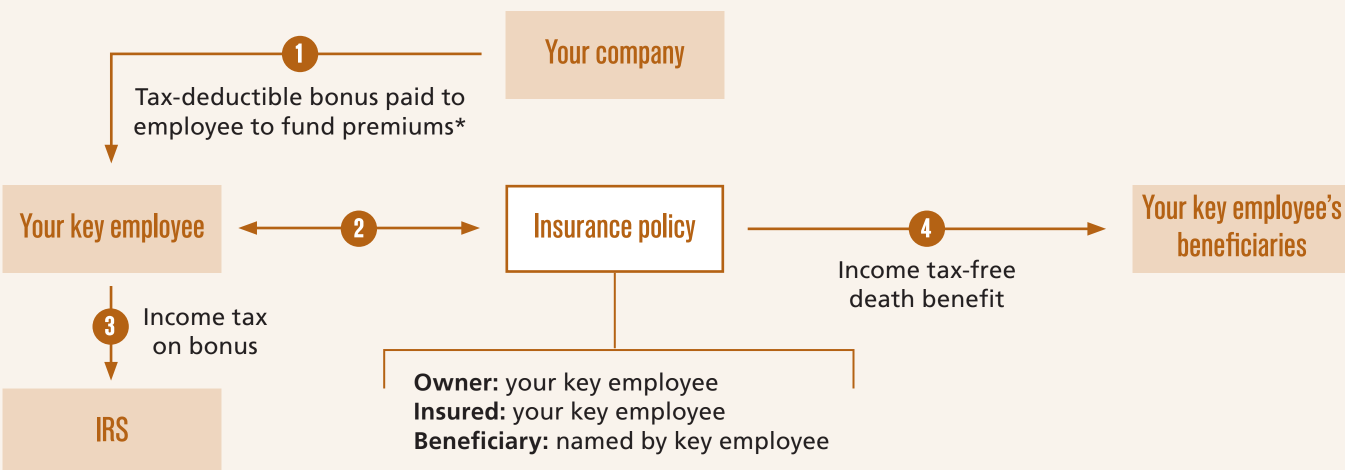
Reward selected key employees

The strategy: Executive bonus plan (I.R.C 162 bonus)

In a tightening job market, it's more difficult to attract and retain the top talent your business relies on for success. An executive bonus plan using life insurance can provide a simple yet powerful retention and recruitment incentive to top performers. Another advantage is your business may be able to take a current tax deduction for the annual bonus paid in the executive bonus plan.

With an executive bonus plan, you maintain control of who can participate. You can choose to provide a single bonus to the employee, or "gross" the bonus up, so there is little to no out-of-pocket expense to the employee. If retention is an issue, you may opt to restrict access to cash values for a period of time.

How an executive bonus plan works



1. Your business pays a tax-deductible bonus* to fund premiums for a life insurance policy owned directly by the employee.
2. Your employee designates a beneficiary for the death benefit and may have access to policy cash values, if any.
3. Your employee pays income tax on the bonus received.
4. At death, your employee's beneficiary receives the death benefit proceeds, generally income tax-free.

Considerations for your business

- You have discretion regarding which employees can participate.
- The plan is easy to implement and maintain.
- The business receives an immediate tax deduction for the bonus paid.*

Considerations for your employee

- Your employee owns the policy, has control of the cash value, and names the beneficiary.
- Tax-advantaged income may be available from the policy through partial withdrawals and loans.†
- Cash values accumulate tax-deferred.
- Death benefit proceeds are generally received income-tax free.

*The deductibility of the bonus is subject to the reasonable compensation limits established by Internal Revenue Code Section 162(a).

† Policy loans and withdrawals will reduce death benefit and policy values.

48% of consumers feel likely to run out of retirement savings.

Source: Lincoln Financial Group and Hanover Research, Inc., "Wealth Protection Survey, 2015." For questions regarding this survey, please call 877-ASK-LINCOLN.

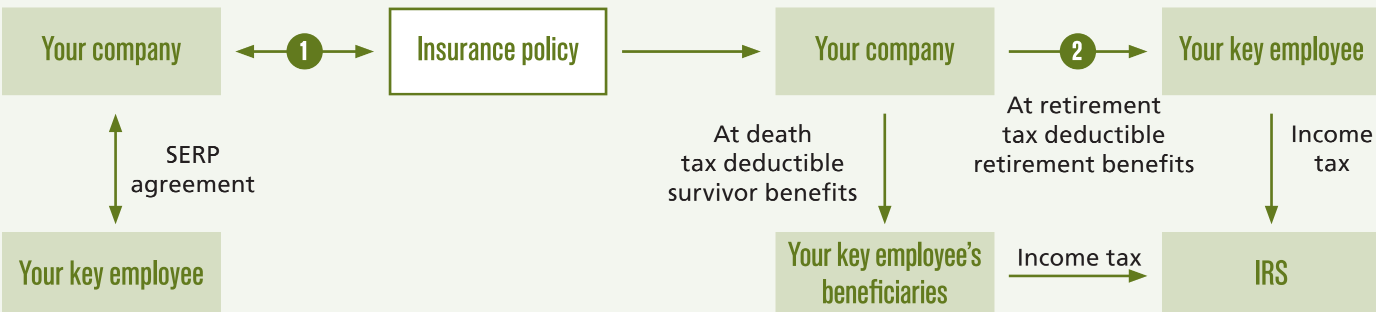
Reward top executives with supplemental retirement income

The strategy: Supplemental Executive Retirement Plan (SERP)

The value of offering customized benefits to yourself and selected key employees can be important. Since there are limitations on contributions or benefits received from qualified plans, a SERP can be an attractive benefit. A SERP is an employer paid deferred compensation agreement that provides supplemental retirement income to a key employee, based on the employee meeting certain vesting or other specified conditions.

Because it's designed to supplement your company's basic retirement benefits package, a SERP plan can help address an executive's retirement income shortfall. It also provides a powerful recruitment and retention solution for key employees vital to your company's success.

How a SERP works



1 Your business enters into a SERP agreement with selected key employees. The business purchases a life insurance policy on the life of the key employee with their written consent.

Your business owns the life insurance policy, pays a non-deductible premium, and is named the policy beneficiary.

2 Upon your key employee's retirement, death or disability, your business pays the promised benefit. This payment is generally tax-deductible to the business, and taxable to your employee. Payments may be made from policy loans and/or withdrawals,† or current cash flow.

If the key employee dies, your business receives the death benefits income tax-free.‡

It may use the proceeds to pay the promised taxable survivor benefits to the employee's family, creating a tax deduction for your business.

Considerations for your business

- Cash values accumulate tax-deferred.§
- A SERP can help you recruit and retain valuable employees.
- Unlike qualified plans, you decide which employees participate.
- A SERP requires less administration and funding requirements than traditional qualified plans.**
- The death benefit proceeds may help you recover plan costs.

Considerations for your employee

- Your key employee is rewarded for their contributions to the business.
- The plan may offer a supplemental death benefit for your employee's designated beneficiary.
- In the event of the employer's bankruptcy, your employee is considered a general unsecured creditor of your business.

†Policy loans and withdrawals will reduce death benefit and policy values.

‡If certain requirements under IRC section 101(j) are not met, the death benefits of an employer-owned life insurance contract entered into after August 17, 2006, will generally be taxable income to the employer to the extent the death benefit proceeds exceed the premiums paid.

§Annual increase in policy cash values and death benefit proceeds may have corporate alternative minimum tax implications.

**This type of plan may need to comply with IRC Sec. 409(a).

The use of executive benefit plans to provide insurance coverage for owners and key employees is increasing.

Source: "Sizing up Small Business Owners," 2016, LL Global, Inc.

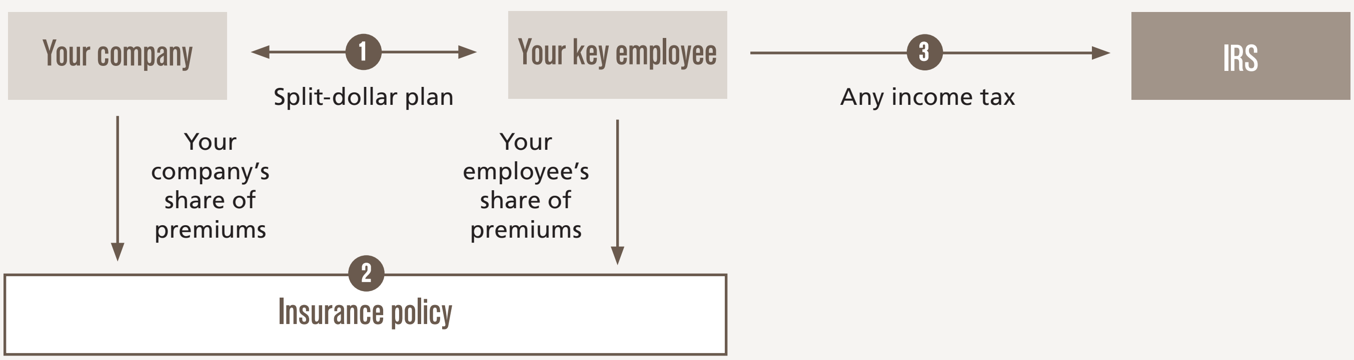
A mutually beneficial strategy for you and your top talent

The strategy: Split-dollar plan

A split-dollar plan may provide a cost-efficient way for you to offer selected employees valuable death benefit protection, supplemental retirement benefits, or both. In simple terms, you and your employee agree to share the benefits and costs of a life insurance policy.

A split-dollar life insurance arrangement can be a powerful planning tool if you want to provide executive fringe benefits to your employees.

How a split-dollar plan works



1. Your business enters into a written split-dollar agreement with each selected employee. The agreement specifies the rights and responsibilities of each party.
2. Based on the agreement, your business may pay all of the premium or share some of the premium cost with the selected employee. The plan can be designed to leverage the amount of control you would like to have over the policy. Policy ownership and beneficiary arrangements will be determined by the selection of loan regime or endorsement/economic benefit regime split-dollar plan.
3. Depending on the type of split-dollar arrangement, your employee may pay income tax on the economic benefit received or on the imputed interest income of the loan.

Considerations for your business

- Your business has discretion regarding which employees can participate.
- The plan is generally easy to implement and maintain.
- Cost recovery may be available.

Considerations for your employee

- Depending on the type of split-dollar arrangement, tax-advantaged income may be available from the policy through withdrawals and loans.
- The death benefit is income tax-free.
- A split-dollar plan can be a cost-effective way to obtain survivor benefits and be a possible source of supplemental retirement income.

52% **of business owners are between the ages of 50 and 88.**

Source: "Executive Benefits Arena: A Challenging Environment (2012)," *LIMRA,* www.limra.com, October 11, 2012.

Insure the orderly transfer of your business

The strategy: Buy-sell agreement

Planning for the succession of your business may be one of the most important and critical challenges you face. It's also a great opportunity to ensure an orderly transition upon a triggering event such as the death, disability, retirement, or withdrawal of any of your shareholders, owners or business partners.

A buy-sell agreement is a binding contract that will govern what happens when a triggering event occurs. Additionally, it can contain the terms and fair market value for a buyout of your business interest. As a funding tool for your buy-sell agreement, life insurance provides unique advantages, including immediate cash availability to purchase a deceased owner's interest.

How a buy-sell funded with life insurance works

Cross-purchase plan

Partner #1 ⟷ Partner #2

In a cross-purchase plan, each business owner purchases a life insurance policy on each of the other owners.

Each business owner will pay the premium and will be the owner and beneficiary of the policy written on the partner's life.

When there are multiple owners, other planning techniques are available to reduce the number of policies needed for a cross-purchase agreement, such as a buy-sell partnership and a trusteed cross-purchase.

Entity purchase or stock redemption plan

Your company ⟷ Shareholder #1

Your company ⟷ Shareholder #2

In an entity purchase or stock redemption plan, each owner enters into an agreement with the business for the sale of their respective interests in the business.

As a part of this agreement, the business will purchase separate life insurance contract on the lives of the owners. The business will pay the premiums and will be the owner and beneficiary.

Considerations for your business

A buy-sell agreement helps establish the value of the business and identifies the purchaser of the business interest.

- The buy-sell agreement helps the owners maintain continuity for their customers, employees and creditors
- The owners have the assurance that a deceased or disabled owner's share of the business will not transfer to an unsuitable owner.
- When the buy-sell agreement is funded by life insurance, cash is available to purchase an owner's interest, alleviating the strain of having to wait to get paid.

Considerations for the owners

- A buy-sell agreement establishes a ready market for your business interest.
- A buy-sell agreement allows for the orderly transfer of ownership.
- Proceeds received from the buy-out may provide estate liquidity to offset debt, expenses and taxes. It may also provide a valuable income stream for loved ones.

A summary guide to meeting your needs

Match your needs with these five essential business strategies.

As a business owner, I'm concerned about	Strategy
• Leaving business debts that my family has to pay • Revenue loss in the event of the death of a key employee • Having capital to recruit and train a replacement	**Key person coverage**
• Attracting new talent • Retaining key talent • Providing benefits with tax-deductible dollars	**162 executive bonus plan**
• Losing key talent to competitors • Providing an attractive retirement benefit for my key employees that will encourage them to remain employed with my business until retirement	**SERP nonqualifed deferred compensation**
• Providing cost-efficient fringe benefits • Utilizing strategies that have minimal impact to my balance sheet • Designing custom plans for selected employees • Providing an attractive retirement benefit for my key employees that will encourage them to remain employed with my business until retirement	**Split-dollar plan**
• Being able to efficiently transfer my business interest • Protecting my family's income in the event of my death • Receiving a fair price for my business interest • Assuring business continuity	**Buy-sell agreement**

Talk with your advisor about how Lincoln business solutions can help you succeed.

Important information:

Lincoln Financial Group® affiliates, their distributors, and their respective employees, representatives and/or insurance agents do not provide tax, accounting or legal advice. Please consult an independent advisor as to any tax, accounting or legal statements made herein.

Lincoln life insurance policies are issued by The Lincoln National Life Insurance Company, Fort Wayne, IN, and distributed by Lincoln Financial Distributors, Inc., a broker-dealer. **The Lincoln National Life Insurance Company does not solicit business in the state of New York, nor is it authorized to do so.**

Policies sold in New York are issued by Lincoln Life & Annuity Company of New York, Syracuse, NY, and distributed by Lincoln Financial Distributors, Inc., a broker-dealer.

All guarantees and benefits of the insurance policy are subject to the claims-paying ability of the issuing insurance company. They are not backed by the broker-dealer and/or insurance agency selling the policy, or any affiliates of those entities other than the issuing company affiliates, and none makes any representations or guarantees regarding the claims-paying ability of the issuer.

Products available may include market risk including possible loss of principal. Products, riders and features are subject to state availability. Limitations and exclusions may apply. Check state availability.

The solutions presented may not be appropriate for all investors.

LincolnFinancial.com

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates.

Affiliates are separately responsible for their own financial and contractual obligations.

LCN-1505191-051916
POD 9/16 **Z03**
Order code: LIF-BI-BRC001
16-001873

Lincoln Financial Group®

You're In Charge®